



Peterson  
Allred  
Jackson

**BOYS & GIRLS CLUB OF  
CACHE VALLEY, INC.**

**AUDITED FINANCIAL  
STATEMENTS**

**For the Years Ended  
June 30, 2006 and 2005**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Boys & Girls Club of Cache Valley, Inc.  
Logan, UT 84321

We have audited the accompanying statements of financial position of the Boys & Girls Club of Cache Valley, Inc. (a non-profit corporation) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Boys & Girls Club of Cache Valley, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Club of Cache Valley, Inc. as of June 30, 2006 and 2005, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2007, on our consideration of the Boys & Girls Club of Cache Valley, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Peterson Alfred Jackson

February 9, 2007

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**BOYS & GIRLS CLUB OF CACHE VALLEY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2006 AND 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash	\$ 2,467	\$ 108,290
Accounts receivable	7,394	9,332
Grants receivable	50,020	88,482
Total current assets	<u>59,881</u>	<u>206,104</u>
Property and equipment:		
Property and equipment	287,576	278,760
Accumulated depreciation	(45,963)	(26,420)
Total net property and equipment	<u>241,613</u>	<u>252,340</u>
<b>Total assets</b>	<u><b>\$ 301,494</b></u>	<u><b>\$ 458,444</b></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 17,615	\$ 1,584
Accrued liabilities	161,659	135,183
Deferred revenue	-	30,996
Note payable, related party - current portion	2,140	11,363
Total current liabilities	<u>181,414</u>	<u>179,126</u>
Long-term liabilities:		
Accrued liabilities - USU	-	39,421
Note payable, related party	155,011	147,802
Total long-term liabilities	<u>155,011</u>	<u>187,223</u>
Total liabilities	<u>336,425</u>	<u>366,349</u>
Unrestricted net assets	(35,931)	92,095
Temporarily restricted net assets	1,000	-
Total net assets	<u>(34,931)</u>	<u>92,095</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 301,494</b></u>	<u><b>\$ 458,444</b></u>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUB OF CACHE VALLEY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>2006</b>			<b>2005</b>
	<b>Unrestricted</b>	<b>Temporarily Unrestricted</b>	<b>Total</b>	<b>Total Unrestricted</b>
<b>Revenues:</b>				
Grants	\$ 518,687	\$ -	\$ 518,687	\$ 708,528
Contributions and special events	12,505	1,000	13,505	28,376
Donated goods and facilities	154,011	-	154,011	145,000
Program revenues	79,873	-	79,873	80,468
Interest and other income	4,014	-	4,014	12,273
<b>Total unrestricted revenue</b>	<b>769,090</b>	<b>1,000</b>	<b>770,090</b>	<b>974,645</b>
<b>Expenses:</b>				
Program services	769,085	-	769,085	734,004
Supporting services-management & general	128,031	-	128,031	118,092
<b>Total expenses</b>	<b>897,116</b>	<b>-</b>	<b>897,116</b>	<b>852,096</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>(128,026)</b>	<b>1,000</b>	<b>(127,026)</b>	<b>122,549</b>
<b>Net assets at beginning of year</b>	<b>92,095</b>	<b>-</b>	<b>92,095</b>	<b>(30,454)</b>
<b>Net assets at end of year</b>	<b>\$ (35,931)</b>	<b>\$ 1,000</b>	<b>\$ (34,931)</b>	<b>\$ 92,095</b>

The accompanying notes are on integral part of these financial statements.

**BOYS & GIRLS CLUB OF CACHE VALLEY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	Program Services		Management and General		Total Expenses	
	2006	2005	2006	2005	2006	2005
Salaries and benefits	\$ 548,035	\$516,658	\$ 67,094	\$ 36,000	\$615,129	\$552,658
Other expenses:						
Accounting and audit/professional services	-	-	6,550	11,163	6,550	11,163
Advertising and marketing	-	-	764	465	764	465
Conferences and training/dues	-	-	3,884	5,844	3,884	5,844
Depreciation of equipment & furniture	-	-	19,543	12,529	19,543	12,529
Insurance	1,020	3,935	2,471	500	3,491	4,435
Miscellaneous	13,578	9,109	8,633	2,800	22,211	11,909
Occupancy costs	142,535	149,046	6,000	6,000	148,535	155,046
Printing and subscriptions	3,229	7,065	65	680	3,294	7,745
Promotional materials/special events	10,208	2,379	-	800	10,208	3,179
Supplies and postage	14,967	8,753	1,666	1,850	16,633	10,603
Telephone	2,488	508	276	3,500	2,764	4,008
Travel and entrance fees	33,025	36,551	1,589	32,500	34,614	69,051
Interest	-	-	9,496	3,461	9,496	3,461
Total other expenses	221,050	217,346	60,937	82,092	281,987	299,438
Total expenses	\$ 769,085	\$ 734,004	\$128,031	\$118,092	\$897,116	\$852,096

The accompanying notes are an integral part of these financial statements

**BOYS & GIRLS CLUB OF CACHE VALLEY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in unrestricted net assets	\$ (127,026)	\$ 122,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	19,543	12,529
Noncash contribution of assets	-	-
(Increase) decrease in accounts receivable	1,938	(744)
(Increase) decrease in grants receivable	38,462	(70,167)
Increase (decrease) in accounts payable	16,031	(169)
Increase (decrease) in deferred revenue	(30,996)	-
Increase (decrease) in accrued liabilities	(12,945)	61,163
Total adjustments	<u>32,033</u>	<u>2,612</u>
Net cash provided (used) by operating activities	(94,993)	125,161
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of buildings and equipment	<u>(8,816)</u>	<u>(235,088)</u>
Net cash used by investing activities	<u>(8,816)</u>	<u>(235,088)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on related party loan	(2,014)	(835)
Proceeds from related party loan	<u>-</u>	<u>160,000</u>
Net cash provided (used) by capital and related financings activities	<u>(2,014)</u>	<u>159,165</u>
Net increase in cash	(105,823)	49,238
CASH AT BEGINNING OF YEAR	<u>108,290</u>	<u>59,052</u>
CASH AT END OF YEAR	<u><u>\$ 2,467</u></u>	<u><u>\$ 108,290</u></u>
<b><u>Supplemental cash disclosures:</u></b>		
Amount of cash paid for interest	<u><u>\$ 9,496</u></u>	<u><u>\$ 3,461</u></u>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUB OF CACHE VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 and 2005**

**Note 1: Summary of Significant Accounting Policies**

**Nature of Organization**

The Boys & Girls Club of Cache Valley, Inc. is a non-profit corporation located in northern Utah that provides after-school programs for children and receives a substantial portion of its funding through private grants and state contracts.

**Basis of Accounting**

The Boys & Girls Club of Cache Valley, Inc. maintains its records on the accrual basis of accounting.

**Unrestricted Net Assets**

Under SFAS No. 117 the Boys & Girls Club of Cache Valley, Inc. is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of revenue and other support available for and used for current operations.

**Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If donor stipulations are met in the same period as the revenue is recognized, expenses are shown as unrestricted.

**Statement of Cash Flows**

For the purposes of the Statement of Cash Flows, the organization considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Income Taxes

As a non-profit organization, which is not a private foundation, the Boys & Girls Club of Cache Valley, Inc. claims exemption from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and related state provisions. Accordingly, no provision for income taxes has been made in the financial statements.

### Property, Equipment and Depreciation

Purchased property and equipment are stated at cost. Depreciation is computed on the straight-line method for all capitalized assets over the estimated useful service life of the various classes of property. Property and equipment are depreciated over useful lives of five to seven years. Buildings and improvements are depreciated over 20 years.

Upon retirement or disposal of property and equipment, the costs and related accumulated depreciation amounts are eliminated, and any gain or loss is included in the statement of activity in the year of disposition.

### Donated Materials, Equipment and Services

Donated materials, equipment, facilities, and certain services are reflected as contributions in the accompanying statements at their estimated fair value on the date of contribution.

### Allocation of Functional Expenses

The allocation of expenditures between programs and supportive services has been based on direct benefit costs or, if direct benefit is not determinable, in proportion to the function's salary costs.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Fair Value of Financial Instruments

Fair values for all financial instruments, including cash and accounts receivable and payable, approximate carrying values.



**Note 2: Cash**

Boys & Girls Club of Cache Valley, Inc maintains cash accounts in multiple banking institutions. All bank amounts were covered by FDIC insurance at June 30, 2006 and 2005.

**Note 3: Accounts Receivable**

Accounts receivable are made up of individual participant balances for after school programs owed at June 30, 2006 and 2005 respectively. Accounts with balances over 90 days are not recognized as receivables.

**Note 4: Property and Equipment**

	<u>7/1/05</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/06</u>
Buildings and improvements	\$230,000	\$ --	\$ --	\$230,000
Furniture and equipment	48,760	8,816	--	57,576
Accumulated depreciation	<u>(26,420)</u>	<u>(19,543)</u>	<u>--</u>	<u>(45,963)</u>
Net property and equipment	<u>\$252,340</u>	<u>\$ (10,727)</u>	<u>\$ --</u>	<u>\$ 241,613</u>

**Note 5: Contributed Facilities and Services**

Contributed facilities and equipment were donated by various organizations and were valued at \$ 154,011 and \$ 145,000 for the years ended June 30, 2006 and 2005, respectively. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services provided by student and other volunteers at the organization are not recorded.

**Note 6: Accrued Liabilities**

Accrued liabilities include payroll, payroll taxes, compensated absences and amounts owed to Utah State University for past payroll and benefits paid for Boys and Girls Club of Cache Valley, Inc.

**Note 7: Loan payable – related party transaction**

During fiscal year 2005, the Organization entered into an agreement to purchase a building from the Executive Director. The building was purchased for \$230,000 and financed by the Executive Director with a down payment of \$70,000 and 359 monthly payments of \$959.28. The loan carries an interest rate of 6% and will be paid off in 2035. The annual loan maturities are as follows:

2007	\$11,511
2008	11,511
2009	11,511
2010	11,511
2011	11,511
2012 - 2016	57,555
2017 - 2021	57,555
2022 - 2026	57,555
2027 - 2031	57,555
2032 - 2035	<u>41,228</u>
Total	329,003
Less interest	<u>(171,852)</u>
Total	<u>\$157,151</u>

**Note 8: Operating lease**

Boys and Girls Club of Cache Valley, Inc. has entered into a 60 month operating lease for the use of a copier. Monthly payments for the copier are \$120. The organization is responsible for the payments for the next year as outlined below.

2007	\$ <u>360</u>
Total	\$ <u>360</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Boys & Girls Club of Cache Valley, Inc.  
Logan, UT 84321

We have audited the financial statements of Boys & Girls Club of Cache Valley, Inc. as of and for the years ended June 30, 2006, and 2005, and have issued our report thereon dated February 9, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Boys & Girls Club of Cache Valley, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying management letter.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Club of Cache Valley, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter.

This report is solely intended for the information and use of the audit committee, Board of Trustees, grantors, and management and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alured Jackson

February 9, 2007



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February 9, 2007

To the Board of Trustees  
Boys & Girls Club of Cache Valley, Inc.  
Logan, UT 84321

In planning and performing our audits of the financial statements of the Boys & Girls Club of Cache Valley, Inc (a non-profit corporation) as of June 30, 2006 and 2005, in accordance with auditing standards generally accepted in the United States of America, we considered the Boys and Girls Club of Cache Valley, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

**Finding:** *Timely and accurate financial reports.* Bank reconciliations are not being performed on a timely basis and do not match the general ledger, which causes the financial statements to not be complete and accurate. The financial statements were not adjusted for the audit entries last year and no accruals were made for the grant receivable at the end of the year. This causes inaccurate financial statement information for the Organization to base spending decisions on. The audit was not completed by the required deadline. Also, tax returns are not being done shortly after year end.

**Recommendation:** Bank reconciliations should be done within 30 days after the end of the month. Bank reconciliations should be reviewed by management on a monthly basis to insure accuracy. With continued grant funding, up to date financial statements (including accruals) need to be reflected so that grant expenditures can be monitored. Audit and tax returns should be completed before required deadlines.

**Management response:** We now have a financial person in place that will do monthly reconciliations and make sure we get our reports in on a timely manner.

**Finding:** *Deficit equity balance.* At the end of fiscal year 2006, the Organization had a deficit net asset balance of \$34,931.

**Recommendation:** Management should come up with a plan to increase the net assets to a level needed to support the daily activities of the Organization. The increases need to come from unrestricted support such as fundraisers, unrestricted donations, and daily program fees.

**Management response:** We have eliminated a management position that was half-time and we have increased our fund raising effort. Our fee structure has been increased and we are receiving more fees. This summer we will require more information for scholarships and limit the number of scholarships we give. All summer participants will be required to pay a registration fee of \$25.00 before they can participate in the program.

*We have also included the status of all findings from the prior year:*

**Finding:** *Timely and accurate financial reports.* Bank reconciliations are not being performed on a timely basis, which causes the financial statements to not be complete. The financial statements were not adjusted for the audit entries last year and no accruals were made for the grant receivable at the end of the year. This causes inaccurate financial statement information for the Organization to base spending decisions on. Also, tax returns are not being done shortly after year end.

**Recommendation:** Bank reconciliations should be done within 30 days after the end of the month. With continued grant funding, up to date financial statements (including accruals) need to be reflected so that grant expenditures can be monitored. The Organization may want to consider hiring additional accounting staff to perform all of the necessary and required accounting functions on a timely basis.

**Management response:** The Organization will consider the staffing needs required for accounting and will make the applicable changes.

**Status:** This continues to be an area where the Organization needs improvement. See current year finding.

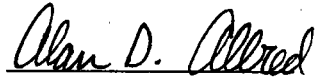
**Finding:** *Documentation.* During the testing of cash disbursements and single audit requirements, we noted that authorization documented on the purchase order was not found on 30% of the sample, missing dual check signatures were found on 1% of the sample, and missing criminal background checks for two employees were not in the personnel files.

**Recommendation:** Train all employees on the importance of complete documentation and authorization of expenses. Review expenditure detail before the check is issued to insure that the appropriate documentation is present.

**Management response:** Improvement was noted in this area. However, we did note that the Organization could not find one receipt and donation detail that was requested during our testing. This communication is intended solely for the information and use of management, others with in the organization, and certain grantees, and is not intended to be and should not be used by anyone other than these specified parties.

In conclusion, we wish to recognize Robert Green for his service provided to the Boys & Girls Club of Cache Valley, Inc. The performance of the Boys & Girls Club of Cache Valley, Inc annual fiscal year audit has been an enjoyable experience for us and we would like to thank Boys & Girls Club of Cache Valley, Inc for the opportunity to serve as independent auditors.

Very truly yours,



Alan D. Allred, CPA  
PETERSON ALLRED JACKSON